

City of Saint Paul

Assessment of Management Capacity Indicators

Glen Hamburg, LGS
Rural Utility Business Advisor (RUBA) Program
Division of Community and Regional Affairs
Department of Commerce, Community, and Economic Development, State of Alaska
March 21, 2014

Introduction

The City of Saint Paul report was completed by Rural Utility Business Advisor program staff Glen Hamburg as a requirement for a proposed grant-funded sanitation project. The report was completed with the voluntary assistance of the utility staff and based on information provided to the RUBA program. Specific documents provided by the utility staff are in the Anchorage regional office for viewing if requested.

The goal of the RUBA Program is to help small communities implement utility management practices that will improve the utility's ability to provide safe drinking water to their communities on a sustainable basis. The RUBA assessment evaluates essential and sustainable indicators necessary for the managerial and financial health of the utility. These indicators are organized under the following sections:

- Utility Finance
- Accounting Systems
- Tax Problems
- Personnel System
- Organizational Management
- Operation of Utility

Essential Indicators identify policies and practices that are critical to the short-term operation of a utility. ***Sustainable Indicators*** identify policies and practices that make a utility cost-effective to operate and increase the likelihood of long-term financial success.

The ***Essential Recommendations*** at the end of this assessment are limited to those items needed to meet deficient essential indicators. Only the essential indicators are required to be met under the grant conditions. The ***Sustainable Recommendations*** are intended to improve cost effectiveness and sustainability of the utility.

The City of Saint Paul operates and manages the following utility services:

- Class 1 Water Treatment
- Class1 Water Distribution
- Class 1 Wastewater Collection
- Solid Waste Collection and Disposal
- Diesel- and Wind Turbine-Generated Electrical Power

Capacity Indicators

On February 6 and 7, 2014, RUBA staff Glen Hamburg met with Saint Paul city staff to complete a RUBA Assessment of Management. City staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- Copies of the city's current and previous year budgets
- Copies of all ordinances related to utility services, including ordinances establishing service rates and outlining personnel policies
- Copies of recent council meeting notices, agendas, and minutes
- Copies of financial reports provided to the city council
- Copies of utility manager's written reports provided to the city council
- Invoices and receipts showing city's electricity payments are current
- Sample utility customer statement
- Utility customer aging summary report and aging analysis
- Summary spreadsheet of outstanding utility accounts
- An accounts receivable reconciliation report
- Sample residential past due utility account agreement form
- Copy of a letter sent to utility customers explaining utility billing processes
- Notice of Water/Wastewater Worker job opening from August 2013
- Water/Wastewater Worker job description
- Sample application for employment and sample employee performance appraisal form
- Copy of effective city organizational chart
- Copies of utility operator certifications
- Copy of utility safety check-in record
- Verification from IRS and the Alaska Department of Labor and Workforce Development that tax filings and deposits are current
- Photos of posted workers' compensation insurance proof of coverage
- Photos of utility operation and maintenance logs
- Photo of customer work order schedule board at utility
- Photos of critical spare parts and chemicals kept on hand at the utility
- Photos of safety equipment and safety warning signs at the utility
- Photos of time clock devices

Utility Finance

Essential Indicators

| Yes | No | |
|-------------------------------------|-------------------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | All revenue and expenses for the utility are listed in the utility budget. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has adopted a balanced realistic budget. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Monthly financial reports are prepared and submitted to the policy making body. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility is current paying all water/wastewater electric bills. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has on hand a year's adequate fuel supply or it has a financial plan to purchase an adequate supply. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses. |

Sustainable Indicators

| | | |
|-------------------------------------|-------------------------------------|---|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses and Repair and Replacement (R&R) costs. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | YTD revenues are at a level equal to or above those budgeted. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | YTD expenditures are at a level equal to or below those budgeted. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | A monthly manager's report is prepared. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget amendments are completed and adopted as necessary. |

The City of Saint Paul uses a fiscal year following the calendar year, in accordance with its municipal code. The city's CY14 budget was adopted timely by non-code ordinance on December 5, 2013. The budget ordinance authorizes the city manager to establish line item expenditures within an authorized departmental, fund, or project appropriation, and to transfer from one authorized appropriation to another amount which would not annually exceed 10 percent of that department, fund, or project appropriation. This rule allows the city to make minor adjustments to its funding/spending scheme within departments without always going through the budget ordinance amendment processes. Amending ordinances adjusting these numbers are, however, adopted after the city has completed its audit for that fiscal year.

The city's water and wastewater functions are budgeted apart from the city's general fund as a separate enterprise. The water/wastewater enterprise portion of the budget compares actual amounts for the last several fiscal years alongside this year's appropriations. In CY14 the city expects to receive just over \$304,000 in water/wastewater revenues from user fees, contracted labor, and certain state grants. However, it expects to spend nearly \$450,000 providing those services. So while the city's adopted budget realistically includes all associated expenses (such as labor, insurance, fuel, chemicals, testing, safety equipment, shipping, telephone, office supplies, operator travel and training, and repair and replacement costs) it is not balanced and will operate at a significant loss this year. The city council, which is the utility's policy-making body, is well aware of this budget shortfall and resolved at its February 2014 meeting to hire a firm in Anchorage to conduct a utility rate study before it raises customer rates to balance the enterprise budget.

Chapter X of the city's code of ordinances establishes the rates for water and wastewater services. Unmetered residential customers and unmetered small business of five or less employees are charged flat rates of \$25 and \$40 per month respectively for water service, and the same flat rate for wastewater service. Larger commercial customers are also charged flat rates, but according to tiers determined by the number of toilets on site. Metered customers pay \$8.50 per gallon for water, except for the processing facility which is charge \$7.00 per gallon. Other

customer classes exist for off-seasons, closed buildings, and unauthorized connections. These rates were adopted in February 2011 by Ordinance 11-01.

The city council receives a comprehensive budget analysis summary at each of its regular meetings. The report appropriately compares monthly and year-to-date actual income and expenses to year-to-date and annual budgeted amounts, as well as the percentage of the budgeted amount of the line item already used and the dollar figure amount remaining. The document is easy to read and honestly reflects the current finances of the city's sanitation utility enterprises.

The city provides the community's electrical services, but appropriately accounts and pays for its own electrical use to the separate electrical utility enterprise. Statements and receipts provided to RUBA staff showed the city and its sanitation utility enterprises are current in their electrical service payments. Sufficient funds are allocated in the utility's enterprise budget to pay for its electricity. The city budgets appropriately for its fuel purchases and deliveries have not been delayed due to managerial problems.

The city manager, who serves as utility manager, gives detailed written and verbal reports to the city council at each of its regular meetings. These reports highlight issues related to the city's sanitation utilities; the report given to the council at its February 2014 meeting addressed the need to evaluate current utility rates and identify the location of certain service lines.

Accounting Systems

Essential Indicators

| Yes | No | |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has adopted a collection policy and actively follows it. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility bills customers on a regular basis. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | An accounts receivable system is in place which tracks customers and reports past due accounts and amounts. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | An accounts payable system is in place. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The payroll system correctly calculates payroll and keeps records. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | A cash receipt system is in place that records incoming money and what it was for. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a cash disbursement system that records how money was spent. |

Sustainable Indicators

| | | |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | A chart of accounts is used that identifies categories in a reasonable, usable manner. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Monthly bank reconciliations have been completed for all utility accounts. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts. |

The city's utility bill collections policies, as with its utility service rates, are outlined in Chapter X of the city's code of ordinances. The city reports actively enforcing these collections policies as they are written.

Utility bills, which are sent out monthly, include the customer's name, billing date, the due date, the service address, meter readings, itemized charges, reminders of the interest charges and possible disconnection for lack of payment, and other appropriate information. Water and wastewater services are billed together with electric, solid waste, and other city services; customers cannot pay for one of these services on their bill and not others.

The city is working to transition customers to AMPY pre-pay metering systems, even for payment of sanitation services. Letters were sent out to customers back in August 2010

explaining that customers' AMPY accounts will track electric, water, wastewater, solid waste, and even sales tax charges due from the customer. Under the new system, failure to prepay for water and wastewater service will mean that the customer will not be able to draw electricity (it is not possible for only the water/wastewater service itself to be stopped for lack of payment). A percentage of past due utility account balances will also be assigned to the customer's AMPY account according to a schedule outlined in the city's system installation agreement form. Some – but not all – customers use the system already.

Accounting functions are split among several finance department staff, including a purchasing/receiving clerk, a cashier, an accounts payable clerk, an inventory agent, an accounts receivable/utility billing clerk, and a controller/payroll clerk/grants coordinator. The department is headed by the finance director. These staff are well-trained, as detailed in the 'Organizational Management' section of this report, and follow appropriate processes for billing, payroll, receiving cash, and making purchases. The city uses the Multiple Operations Manager System (MOMS) for conducting most of its accounting processes, though Excel is used for certain specific functions.

A standard purchase order system is used at the city. The purchase orders must first be reviewed by the relevant department head to determine appropriateness. After initial approval, the purchasing clerk assigns the proposed expense a code as defined by the chart of accounts, and then the finance director checks to make sure there are adequate funds available in the budget for the purchase. Purchases over \$5,000 must also receive approval from the city manager.

Tax Problems

Essential Indicators

| Yes | No | NA | |
|-------------------------------------|--------------------------|-------------------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | | The utility has a system to accurately calculate, track, and report payroll tax liabilities. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | | The utility is current on filing federal and state tax reports. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | | The utility is current on making federal and state tax deposits. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | If there are any past tax liabilities or tax liens filed, a payment agreement has been signed and repayments are current. |

The city's accounting staff accurately calculate, track, and report payroll tax liabilities. RUBA staff confirmed in January 2014 that the city is current in its federal and state tax filings and deposits. The city is not listed on the most current Lien Watch Report published by the Department of Commerce, Community, and Economic Development (DCCED).

Personnel System

Essential Indicators

Yes No

☒ ☐ **The utility has a posted workers compensation insurance policy in effect.**

Sustainable Indicators

- | | | |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has adopted and uses a personnel policy, which has been reviewed by an attorney, AML, or DCCED for topics and language. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has adequate written job descriptions for all positions. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has an adequate written hiring process. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has personnel folders on every employee that contain at least: I-9, Job Application and Letter of Acceptance. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a probationary period for new hires that includes orientation, job-training/oversight, and evaluations. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility provides training opportunities to staff as needed and available. |

The city has paid for a workers' compensation insurance policy through Alaska Public Entity Insurance valid until June 30, 2104. In accordance with state statute proof of coverage is posted in three conspicuous places of employment, including at the city offices and utility work sites.

The city's personnel policies are outlined in Chapter XI of its municipal code. The chapter explains the personnel policies apply to all municipal employees, and identifies the city manager or his/her designee as the personnel director; the city clerk has been assigned this role. The policies address: the maintenance of personnel records, position classification, employee conduct and general responsibilities, outside occupations, safety, travel and training, city vehicle and equipment use, job applications, promotions, non-discrimination, qualification testing, resident and veteran preferences, nepotism, employees with disabilities, work hours and holidays, pay periods, leave, probationary periods, performance evaluations, termination, grievances, and other essential personnel matters. The city manager is authorized by ordinance to develop and enforce drug and alcohol policies and testing procedures. The city clerk reports that its personnel-related ordinances have been reviewed by the city's attorney.

RUBA staff observed that personnel-related ordinances, as well as some other ordinances, have not been codified and that the paperwork for certain outdated/unenforced/repealed local laws remain in the code books at the city office. This seems to present confusion as to which laws are the most current. RUBA staff has agreed to work with the city staff to compile a complete, consistent, and up-to-date version of the code in order to streamline city staff's and the public's ability to reference the existing laws of the city.

RUBA staff reviewed a three-page written job description for the Water/Wastewater Worker I position. The document gives a general overview of the position, specifies essential functions, and identifies the knowledge, skills, and abilities this employee must have, as well as their required education, experience, licenses, and certifications. The job description also identifies the employee's working environment.

A standardized 'Performance Appraisal' form is used in the evaluation of all employees. The form uses a rating rubric and point system to qualify the employee's quality, productivity, job knowledge, reliability, availability, independence, creativity, initiative, adherence to policy,

interpersonal relationships, and judgment. It provides space for listing specific areas of improvement needed, recommendations for professional development, and frequency of absences. The appraisals are completed while considering the employee's actual job description.

As noted previously, the employee hiring process is outlined in Chapter XI of the municipal code. As part of that process, the city posts notices of any job openings that identify the position, its duties, wage, benefits, and qualifications, and the deadline for application. Standardized job applications are issued for each position and include space for the applicant to provide all necessary information.

Each employee has a personnel file that contains and Employment Eligibility Form I-9 and evaluations. Not all employees have their original applications included in their files because they have been working for the city for decades and were hired at a time when formal applications were not necessary.

In accordance with the code, new employees serve in probationary status for their first three months of employment, and are only promoted to permanent status after successfully completing a performance evaluation for the probationary period. New employees are given job training and orientation. The city spent approximately \$2,900 on specifically water/wastewater related travel and training in CY13 and allocates \$3,500 for CY14.

Organizational Management

Essential Indicators

| Yes | No | |
|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The entity that owns the utility is known and the entity that will operate the utility is set. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The policy making body is active in policy making of the utility. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The policy making body enforces utility policy. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has an adequately trained manager. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has an adequately trained bookkeeper. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has an adequately trained operator(s). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate. |

Sustainable Indicators

| | | |
|-------------------------------------|-------------------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has adopted an organizational chart that reflects the current structure. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The policy making body meets as required. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility complies with the Open Meeting Act for all meetings. |

The city owns the community's water and wastewater utility infrastructure. Its municipal code establishes a public works department with authority to operate and maintain public utilities. The code also identifies the rates customers are to pay for services the utility bill collection policies.

The city council is the policy-making body for the utility. It meets regularly, passes annual operating budgets timely, and amends utility-related ordinances as necessary. RUBA staff attended a regular meeting of the city council in February 2014 where several important water/wastewater issues were being discussed, including the need to amend the customer fee

schedule and the importance of identifying underground pipes. The adopted utility bill payment policies are fully enforced, with changes made to the policies as necessary.

The city manager serves as the utility manager. The city manager position has experienced little turnover over that last couple of decades with the last city manager having served for approximately seven years. The current city manager was appointed in October 2013 and brings significant academic and professional experience. He holds a Masters degree in city management and a PhD in leadership and community development, and has served as the city manager in other cities in Alaska.

The city clerk, who serves as the city's personnel officer and performs the functions of a utility clerk, has held her position for more than three decades.

As explained in earlier, the city's bookkeeping operations are distributed among several staff members. At the head of the Finance Department is the finance officer who holds a degree in finance and has previously served as a business manager. The accounts receivable/utility billing clerk has years of on-the-job experience.

The public works superintendent is fully certified to operate the city's water and wastewater systems. He helps to supervise the other water operators who, while lacking in formal certification, are adequately trained, as demonstrated in part by the fact that the utility performs at the level of service promised, is not on the SNC List, and has not suffered service outages in the last five years because of improper operation. The city's newest operator has recently attended operator certification training.

The public works superintendent also serves as a council member and the public works director is consulted at length in the development of utility-related portions of the city budget.

The city employs a routinely-revised organization chart that matches its current structure. The chart lists the names and positions of all employees and arranges them according to department. The chart also specifies the terms of each council member, the type of driver license each employee possesses, and whether employees are full, part-time, temporary, or seasonal.

The city's code only requires that the council hold one regular meeting per month; it does not specify which day of the month or time those meetings must always be. It was explained to RUBA staff that the regular meeting is usually scheduled for a day that no plane visits the island and when council members are able to attend. City staff stated that the council struggles to establish a quorum for meetings in July because of the fishing season and that January meetings, which follow the lengthy budget meetings in the December before, are routinely missed. The relevant indicator in this section has, therefore, been marked 'No.'

The city nonetheless maintains that the public is always well-aware of its meetings. Meeting notices are posted at least five days in advance at all businesses, community facilities, the school, and city offices and are broadcast over the city radio. The notices include the date, time, location, and meeting agenda. The meetings themselves are also broadcast live over the local radio.

Operation of Utility

Essential Indicators

| Yes | No | |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility operator(s) are actively working towards necessary certification. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has a preventative maintenance plan developed for the existing sanitation facilities. |

Sustainable Indicators

| | | |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The manager receives a monthly O&M report from the utility operator and routinely “spot checks” the facilities to see that the maintenance items are being completed. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a safety manual and holds safety meetings. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Utility facilities have not suffered any major problems/outages due to management issues that are still unresolved. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility is operating at the level of service that was proposed. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The operator provides status reports to the manager on a routine basis. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has completed and distributed its <u>Consumer Confidence Report</u> (CCR). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility meets all required regulations (is not on the <u>Significant Non-Compliance</u> (SNC) list). |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility maintains an inventory control list. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility maintains a critical spare parts list. |

The previous section of the assessment illustrates that the operators continue to work toward their necessary certification. The public works director maintains contact with Department of Environmental Conservation to discuss operator certification requirements and understands well the importance of having operators adequately trained and certified. The city requires all operators to become certified and has, in accordance with personnel policies, terminated operators recently who have not been willing to gain necessary trainings and certifications. RUBA staff introduced to the operators and department heads utility management training available through the RUBA program and they asked to be personally contacted of any ones upcoming.

Utility operators communicate regularly with the public works director and superintendent, who then forward any issues or concerns to the city manager. The superintendent also serves on the city council, ensuring that utility issues are raised and considered among the governing body. The city manager has only been in his position since October 2013 and has not yet had the opportunity to visit all utility-related sites (which include numerous well houses, the treatment plant, the shop, lift stations, etc.), but intends to.

The city has recently established city-wide ‘safety committees’ made up of representatives from each department. The committees meet once per month to identify workplace hazards, discuss safety concerns, and formulate responsive actions. Utility staff also hold weekly safety meetings and the participants and issues raised during these meetings are recorded. Safety information is posted conspicuously around work all worksites, first aid kits and fire extinguishers are readily available, and information about the safe handling of chemicals such as MSDSs are on hand. At the February 6, 2014 city council meeting the importance of monitoring and testing safety devices such as fire extinguishers and fire alarms was discussed.

As detailed in the ‘Organizational Management’ section, the water and wastewater utilities continue to operate at the level of service proposed, are not on the SNC list, and have not suffered any major problems/outages due to management issues. Utility staff report that

occasionally water quality testing is delayed because weather or other problems delay flights to the remote island and slow water samples from reaching testing facilities on the mainland.

The city clerk prepares and distributes the Consumer Confidence Report (CCR) each year before the required deadline. RUBA staff has recommended that other city staff, particularly the operators, learn how to complete the CCRs as well.

Utility staff report not having a formal operation and maintenance schedule for the existing infrastructure, or inventory control or critical spare parts lists. The utility operators do keep personal log books of the work they do and record diligently all meter readings as needed. However, the schedule necessary for checking, testing, maintaining, and replacing system components is not written down in any complete document. Some spare/extra parts and chemicals, such as pumps, chlorine, and fluoride, are kept on hand, but are not systematically inventoried. Indeed, there are sometimes concerns of running out of supplies and not being able to get new shipments to the island in time because of transportation difficulties.

Essential Recommendations

The City of Saint Paul has not met all of the essential capacity indicators. In order to meet them, the utility must take the following actions:

- Balance the utility budget by raising revenues, decreasing expenses, or both
- Develop and routinely reference a preventative maintenance plan for the city's existing water and wastewater utilities

Sustainable Recommendations

In addition to the Essential Recommendations, the city can work to improve Sustainable Indicators in the 'Organizational Management' and 'Operation of Utility' sections of this assessment.

It is recommended that:

- The city council meet, as required, even in January and during fishing season each year
- The utility develop inventory control and critical spare parts lists

Conclusion and Next Step

By implementing these recommendations, the City of Saint Paul will put itself into position to better ensure the financial viability of their sanitation services and avoid interruptions in those services to the geographically remote community.

City staff were open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practice, and sustainability.

RUBA staff is available to provide assistance for any sustainable capacity indicators that are not being met.